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Readjustment of American Industries through the Development of Foreign Trade

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THE future index of the domestic prosperity of the United States will be the volume of the exports of its manufactures. With production capacity, fabricating skill and merchandizing ability all in excess of domestic requirements, the solution to the kindred problems of maintaining domestic financial stability and absorption of available labor lies in a constant enlargement of our export tradings.

Fortunately our foreign trade—both exports and imports—can be tremendously increased. It is entirely a matter of national vision. Merchandise, transportation, banking facilities, selling ability and sources of accurate and complete information on foreign markets are already in existence. There is no need for alchemy. The one need is the enlargement of national vision to include foreign trade as a national necessity and not as a national plaything.

There are today thousands of converts to our need of international commercial exchange. The immediate requirement is positive action and not academic acquiescence in truisms. The full idea has not yet been merchandised to the manufacturers of the United States. Attention has been attracted to foreign trade. Desire for possession has been aroused. But only in a small, almost negligible, percentage of cases has positive and progressive action taken place.

The export trade of the United States today is in the same position that the Panama Canal occupied in 1900. The idea of an Isthmial Canal had then attracted a country-wide attention. Its possession was desired as a national asset. But constructive action of *the inevitably right nature* had not resulted. Today we are unquestionably headed in the right direction in our export trade. We have advanced further and more sanely than the De

¹ A biographical sketch of the author is given on last page of this article.
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Lesseps project ever did at Panama. We have made and are still making our individual and governmental mistakes, inevitable mistakes which are often a credit because they are mistakes of the pioneer in his endeavors to find new routes and new methods.

In the past the export trade of the United States has been conducted solely for private profit. Its communal and national benefits have been resultant by-products of the correctly selfish endeavor of our exporters. In the new era we must, as a nation, recognize that the beneficial by-products of foreign trade are immensely valuable to the economic life of the United States. We must, as a nation, make selfish private profits from overseas sales easier to obtain. We must, as a nation, recognize the value of intelligent coöperative efforts by our manufacturers in their quest for new markets beyond our borders.

NECESSITY FOR INCREASING FOREIGN TRADE

There are several definite goals for which we must strive. The first is the abolition of non-employment of the able. The second is the conduct of business at a profit which will make possible remuneration of workers in keeping with the present and future living cost and living standards. The third is the complete utilization of existing production capacity of plants completed and under construction. The fourth is the establishment of safeguards which will make these three conditions permanent. Seasonal industries must be made into full year industries. Domestic depressions must not come in decade cycles.

A consistently increasing foreign trade is the agency through which these goals can be reached. Through international commercial exchange the United States can abolish unemployment of the able, completely utilize existing production capacity, make possible the continuance of high scale remuneration of workers and automatically ensure permanence of these admittedly desirable conditions.

These statements are mere assertions unless backed by concrete illustrations. In the field of manufactured products it has been carefully estimated that a twenty-five per cent increase in gross sales—this twenty-five per cent to be in foreign trade—offers a sufficient factor of safety against domestic financial depression for the individual enterprise. Still keeping in the field of completely finished merchandise, it has been estimated that a twenty

per cent communal export sales volume ensures the community against trade depressions. This refers particularly to a "shoe town" such as Brockton, or a "shirt and collar" town such as Troy. Similarly, it is estimated that a national foreign trade sales volume of sixteen per cent will bring into this country from without, a steady volume of payments which will absolutely prevent a national depression.

In terms of unemployment of the able a five or ten per cent figure is a national calamity. An increase in our national export sales volume of sixteen per cent will more than absorb even a ten per cent figure of unemployment of the able. For increased foreign sales volume necessitates greater employment not only in production but also in clerical transportation, finance, forwarding, institutional and scores of other broad avenues of enterprise. It means, for examples, long-continued years of shipbuilding, of a commercial navy of men as well as tonnage, of vast foreign freight terminals in every suitable harbor and of export technicians as a rule rather than as a rarity in business enterprises.

It means maintenance of remuneration of workers, for foreign trade is conducted at a profit in these days of sane merchandising abroad. It means profits to divide, because the added volume both in production and sales can be handled at a lessened per cent of overhead. It means maintenance of remuneration because it means steady employment without seasonal lay-offs. It means a full year's work at a full year's pay as opposed to alternate periods of employment and unemployment. It means a balanced income in place of the opulence of overtime followed by the poverty of job seeking.

The world beyond our boundaries will not force its patronage on us indefinitely. We cannot count on natural growth alone of our foreign trade to free us from our present dangers and to solve forever our vexed economic problems. It is time for us to make a national inventory of our assets and liabilities. It is surely not too early for us to determine our needs mental and physical. It is fast becoming imperative that we shall become cognizant of the mechanics of exporting and supply some missing parts, improve and strengthen others and drop hit-or-miss methods both individual and governmental.

EDUCATION AND EXPORT

The first stage in the accomplishment of the truly herculean task is educational. The man behind the ballot must be acquainted with the national necessity of exports of manufacturers. Public attention must be definitely focused on its individual and national benefits. I venture to suggest that President Wilson proclaim a Foreign Trade Day and that the Secretary of Commerce be placed in charge of the educational factors of its observance. This foreign trade day is not suggested as a non-work holiday. The preparations for a foreign trade day could well include a presidential proclamation of explanation, preliminary education through the "Four Minute Men" and the concerted and coöperative efforts of the press and trade bodies.

This effort to bring home to the people as a whole the importance of our international commercial exchange should be supplemented by a vigorous and sustained effort to imbue every trade organization, every board of trade and chamber of commerce with their peculiar opportunities for service. Foreign trade committees should be brought into being in every manufacturing town and city. The honorary and purely ornamental existing committees must be vivified or revived. Local and national organizations of sales executives, bankers, credit men and advertising men in particular must rise to new levels of coöperative and national service and create rather than follow demand for knowledge.

Simultaneously with the education of the voter there must be a better education of the youth of the United States to the wonderful world of business. Misconceptions by the score are fostered by our present educational methods and text books. Even in schools frankly practical in their attitude toward domestic business there are grave errors made daily in their teachings which relate to foreign countries and our comparison to and relations with these. I do not ignore the work which is still being carried on by the Commissioner of Education. I merely insist that it is more important to the future of the export trade of the United States that school children come to think of Shanghai and Canton in terms of possible profits instead of pigtails, and of Bangkok as a city of electric lights and street railways rather than a source of Siamese Twins.

Exporting is selling the whole world. This truth must become

a matter of national acceptance. Two decades ago "exporting" meant selling to Europe. Today it means, to the mass, selling to South America. Until our national vision is broadened so that we know instantly the markets of South Africa, the Far East, Russia and India, we must remain far short of our easy possibilities in profits and insurance from foreign trade. Not two score of the several thousand exporters of the United States are "selling the whole world." Many exporters have not even a customer in India, although their sales in Brazil and England may be almost unbelievably large. Few enterprises have had both vision and courage. This condition is one which must be remedied if we are to attain world leadership.

THE PROBLEM OF TRANSPORTATION

The concrete problem of the moment and of the future is transportation. The clearest and broadest vision, the height of skill in making and selling, are powerless unless merchandise can be carried regularly, safely and at reasonable rates. The foreign merchant makes his profit from the merchandise he sells, not from goods illustrated in catalogs or displayed by salesmen. The United States cannot hope for a true foreign trade until its products can compete in delivery service with those of any other nation.

Our whole transportation activities are on an unsound basis. Excellent ports—Boston for example—are neglected, while New York is congested long before the ocean carriage needs of our export trade have reached even a present-day high level. Merely because a port with an excellent harbor, with possible large volume of manufactured articles, lacks bulk tonnage, is no excuse. Foreign trade is our present-day domestic necessity and national need. Bulk tonnage must be diverted to the ports which need it to supplement local cargo. Portland, Boston, Philadelphia, Baltimore, New Orleans, San Francisco, Portland and Seattle, and half a dozen other cities must be developed into true ports with the certainty of receiving not only tonnage of some sort but also of the specific kind of tonnage to complement its natural reservations.

The railroads must do their share both in self-education and in education of their clients. Terminal facilities and dry docks must be taken out of local politics and treated from a national

rather than local standpoint. Every transportation step from the manufacturers in the United States to the merchants in other lands must be investigated and a coherent national and international system of transportation evolved which will carry goods in the shortest possible time and at a cost in keeping with those under which competitive foreign manufacturers operate.

Regularly scheduled sailings, rigidly established and upheld rules for advance space allocations, systematic handling of foreign freight in transit and at freight terminals will be tremendous factors in the growth of our foreign trade. When American manufacturers can promise definite deliveries and live up to these deliveries it will not only divert trade from Europe to us but also gain more trade for us by permitting the exporting manufacturer to devote his whole time to merchandising problems.

FOREIGN BANKING AND FOREIGN TRADE

A new spirit must come into foreign banking. Today the banking interests generally are far more attracted to secure the large manufacturer's large domestic deposits and small foreign transactions than to coöperate with and develop the smaller manufacturer with a comparatively large volume of foreign sales. The banking interests of the United States need, with the manufacturer and the man behind the ballot, a broader vision. The banks must work hand in hand with the exporter. They must cease to consider our foreign trade a matter of foreign exchange or a means to increase domestic deposits. They must educate the exporter in the finer points of draft usage and they must come leagues closer to the manufacturers' problems, in the solution of which they can often be of decided service.

There is no question of the ability of American bankers to become the new standard of the world. It is merely a question of the direction of energy. The *average* English bank today in many ways is daily doing more for exporters than *any* American bank—barring three exceptions. This is not because of any qualification except a better knowledge of values. The English banks know what their customers and what their customers' foreign customers really need in emergencies. They automatically and without self-praise perform functions that are appreciated by less than half a score of our banks.

There is already in the field of credits a realization of the national importance of foreign trade. The National Association of Credit Men has worked hard and well in the last five years. Much has been accomplished and the road has been opened to still further accomplishments. The vision of the National Association has been shared by several at least of its local units. The largest conference on foreign credits ever convened in any country was held in Boston last year under joint auspices of the Boston Export Round Table, the Boston Credit Men's Association, the National Association of Credit Men, the National Association of Manufacturers and the Philadelphia Commercial Men's Association. The subsequent activities and the definite steps toward still further improvement in technique and coöperation with export merchandisers form one of the most significant and pleasing factors in our new foreign trade building.

LACK OF WORLD-WIDE VISION

The one present-day weakness on the selling end of export trade comes from lack of world-wide vision. It is the reluctance to send representatives to new markets and consequently the placing of too great reliance upon correspondence, advertising and samples as selling weapons. It is entirely true that it is well to prepare the ground in advance of a salesman's visit, but it is also true that there is waste in over-preparation. One of the important truths our government has learned is that to know, one must go. Our commercial attachés, our market investigators and our trade commissioners all are visible proofs of governmental belief in sending able, trained men abroad.

Because of the time element—for we must not postpone our export future—it is imperative that American manufacturers send now to the four corners of the world men in whose judgment and selling ability they have every confidence. These men will save a half decade as against the most rapid development by correspondence. In lines where service is a most important element—automobiles and dictating machines for example—these men can save not only time but also avoid perfectly natural mistakes which from long range are inevitable.

Before the next five years pass we shall see "tonnage men" sent out not merely by steel and oil but by many industries.

These men will not be salesmen but rather investigators who will chart countries and continents for possible tonnage increases. From the deductions to be drawn from these charts, salesmen can be placed into most profitable localities, living in them at least long enough to bring into being the tonnage reported as possible.

So far we have considered only the obvious. We have seen merely truisms and pointed out opportunities for improvement which are painfully apparent even on superficial examination. The right to assume confidently that because we want an increased foreign trade we will have one, must come from more than a prophecy based on our past or on our desires. Force of circumstance—if we omit our few hardy pioneers in world trade—has brought into being the export trade we enjoyed up to 1914. War-time necessity in foreign markets was responsible for its increase. Force of circumstance is now offset by the imperative needs of England, France, Italy and Belgium for foreign trade. The equivalent of war-time necessity will continue through 1919, but only in decreasing measure.

ABILITY AS EXPORTERS AN ASSET

Our one great asset—the golden key to the massive door that bars the unworthy from foreign profits—is our potential ability as exporters. The United States combines great skill in fabrication with first-hand knowledge of commercial mass production. It combines elimination of waste processes with ability to coöperate with competitors and non-competitors. It combines merchandising skill in securing customers and making them over into co-partners with selling sense which insists that a sale is not complete until the buyer has resold the merchandise or is in some other way obtaining a profit from his purchase.

This asset is not theoretical. It has been repeatedly proved an asset by the successful adaptation of American domestic selling methods and the requirements of foreign trade. So the way to proceed is already charted for us. Individually, communally, coöperatively and governmentally we must first see with broad vision and then advance by use of all our sources of power coordinated and synchronized. We must avoid unnecessary failures by building our export sales campaigns with such a factor of safety that they must succeed. Our advance in foreign sales should be

a steady ascent and not the result of great gains interspersed with lesser losses.

There is yet time for needed improvement in banking and transportation. There is time because it takes months and not days for a foreign sales campaign to fructify. But there is no time for delay. Unless the government will officially, frequently and forcibly make clear not only its approval of the theory of insurance through foreign trade but also prove its own desire for foreign trade by deeds as well as words, a great opportunity will pass. The government owes immediate adjustment of the whole shipping situation to manufacturers forced to immediate and radical readjustment to meet post-war conditions.

In our quest for foreign trade we must remember that we must be creative as well as active. We must develop new markets as well as seek to share in the profits from sales to long established markets. We must governmentally recognize this truth and recognize it by regularly scheduled sailings to the lesser markets and to markets now rich naturally but still undeveloped. Our banking and investing interests must seek out these markets, develop interior industry and transportation to seaboard and aid in the financing of port facilities and harbor improvements. These joint efforts of our government, banks and manufacturers can be so timely and so effective that we can rightfully monopolize both the imports and exports of market after market which will grow up in international commercial exchange knowing only the United States as a business partner.

This ideal condition can only be reached by superlatives. We must supply all the needed foreign capital. We must be the architects and constructors of wharves and warehouses—the dredgers of harbors and the erectors of breakwaters. We must supply every want and give ocean service so complete as to bar any rival from profitable competition. Above all, we must do all these things as partners and not as commercial conquerors.

There are today millions of square feet available for production for export sales. With the woman in industry and an army demobilizing, our labor potentialities are fully equal to the production space available. Through the government's own banking plan, money can be made available to finance an export trade of more billions than we can readily obtain. More and more the

American youth is being privately and publicly trained to know the surface differences which identify foreign trade. There has never been question of executive ability capable of supervising the broader details. Export managers and export technicians are constantly increasing in number. Most decidedly through experience gained in overcoming war-time difficulties they have been growing in ability and now outrank Europe's best.

We must make all export efforts of cumulative value. Each new customer for any American-made product must be so treated as to become a prospective customer for other American-made products. Each customer must become a form of salesman for American-made goods by his commendation of our merchandise and our policies in trade. We need not experiment and we must at any cost live up to our promises both of sales assistance and ocean carriage schedules. This means that our promises shall be made with the intention to perform, even though immediate returns may not prove all that we anticipate.

INDIVIDUAL READJUSTMENT OF ENTERPRISE

Entirely apart from the concerted action which has just been outlined, individual manufacturers have for months, and in some cases for at least two years, anticipated the necessary readjustment of their enterprise. The great majority of these manufacturers have planned on an increased foreign trade. The majority of this majority have planned to use increased manufacturing capacity in production of new lines—both allied and non-allied. A prominent maker of sporting rifles has plans already under way for exportation of a line in no way related to firearms. A manufacturer of brass parts plans to use four or five plants purchased or constructed during the war in making completed, trade-marked articles for world-wide distribution.

It is significant that many makers of parts, who are barred by tacit agreement with domestic customers from marketing completed articles for the domestic market, are now engaged in export advertising campaigns and plan to make their brands known abroad even though barred at home. Wholesalers as well are reaching out and selling abroad branded lines. This is particularly true of jobbers in cities which cater to the trade of Western Mexico and Central America, and to a lesser extent with jobbers

whose export sales efforts are naturally directed to the Far East. More and more the large domestic sellers of dairy products are seeking foreign markets notably for condensed and evaporated milks. This is an obvious variant of the seasonal business seeking balance by export trade.

The United States has no real choice. Either it must be content to face nation-wide unemployment or it must be a serious exporter. The one way that it can become a serious exporter in competition with England, France, Italy, Belgium and later on with Germany lies in the acquisition of world trade ambitions by myriads of American manufacturers.

Foreign trade cannot be legislated into existence. But the government should so use its transportation control within and without the United States that the exporter will be able to serve his customers. For foreign trade is international service. It entails obligations as well as privileges.

It cannot be but a few years more before an International Foreign Trade League and an International Court of Foreign Trade are established. They are necessary supplements to any council of world politics. When these two bodies—the first legislative and executive and the second judicial—are convened, the United States should be prepared to assume full memberships in both. Its claims will be based not on our war record sales volumes but on our post-war volumes and methods.

Shall we then and for decades thereafter be ranked as worthy? The answer as well as our place in the world cannot yet be given. The next few years will render argument unnecessary.

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